U.S. Department of the Interior
Minerals Management Service
Minerals Revenue Management

Gas Processing Allowance Summary Report
Form MMS-4109

OMB Control Number 1010-0075
OMB Approval Expires 10/31/2004

FOR MMS USE ONLY:

1 PAYOR NAME_____

2 PAYOR CODE [_____]

ADDRESS _____

4 AMENDED REPORT ☐

CITY _____ STATE _____ ZIP _____

6 PLANT NAME _____

5 REPORTING _____
PERIOD   to
(mm/dd/ccyy)   _____

3 FOR PAYOR USE ONLY:

7	8 LEASE NUMBER	9 AGREEMENT NUMBER	10 PRODUCT CODE	11 NON-ARM'S LENGTH INDICATOR	12 ACTUAL DATA		
					a ROYALTY QUANTITY	b ALLOWANCE RATE PER UNIT	c ROYALTY ALLOWANCE AMOUNT
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							

| 13 | PAGE TOTAL | | | | xxxxxxxxxxxx | |
| 14 | REPORT TOTAL (LAST PAGE ONLY) | | | | xxxxxxxxxxxx | |

IF MORE LINES ARE NEEDED, ATTACH ADDITIONAL PAGES OF FORM MMS-4109

I have read and examined the statements in this report and, to the best of my knowledge, they are accurate and complete.

NAME (FIRST, MIDDLE INITIAL, LAST) (typed or printed)   DATE:

AUTHORIZED SIGNATURE: DATE:

NAME OF PREPARER: TELEPHONE NUMBER:

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Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to determine product valuation and to ensure that royalties are paid properly. The MMS uses the information to evaluate the reasonableness of allowances claimed. Responses are required to obtain a benefit. Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Ac [5 U.S.C. 552(b)(4)], and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 20 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW., Washington, DC 20240.

FORM MMS-4109 (revised 09/2004)

Page 1 of 1

Gas Processing Allowance Summary Report
Form MMS-4109

General Instructions

In accordance with 30 CFR 206.179, a payor may deduct from royalty payments the reasonable actual costs for processing gas plant products (e.g., natural gas liquids (NGLs), sulfur, etc.) from a gas stream. All natural gas liquids are considered as one product – NGLs, and the processing allowance rate for NGLs shall be based upon their aggregate processing cost. No allowance will be given for non-royalty-bearing plant products unless the lessee has secured prior approval from MMS.

Gas processing costs incurred under an arm's-length contract may be claimed as the gas processing allowance. Processing costs incurred under other than an arm's-length contract consist of the following: plant operating costs plus depreciation plus a return on undepreciated capital investment. A gas processing allowance rate is determined by dividing the total processing costs by the quantity processed.

Payors are required to report to MMS the actual processing costs deducted during the reporting period using Form MMS-4109. For processing costs incurred under arm's-length conditions, payors are not required to submit Form MMS–4109. Instead, payors are required to submit a copy of their arm's-length processing contract to MMS within 2 months of the date MMS receives your first report that deducts the allowance on the Form MMS-2014. For processing costs incurred under non-arm's-length or no contract situations, Page 1 of Form MMS-4109 and Schedules 1, 2, 2A and 2B must be submitted within 3 months after the end of the 12-month period to which the allowance applies.

Form MMS-4109, Page 1, is used to report the non-arm's-length processing allowance amount claimed for a plant product during the reporting period.

Form MMS-4109, Schedule 1, is used to compute the non-arm's-length processing allowance rate for a plant product. A separate Schedule 1 must be completed for each plant product,

Form MMS-4109, Schedule 2, is used to summarize plant product costs based upon the lessee's portion of actual plant operating, maintenance, and overhead costs for non-arm's-length or no contract situations.

Form MMS-4109, Schedule 2A, summarizes plant operating, maintenance, and overhead costs for a plant product for non-arm's-length or no contract situations.

Form MMS-4109, Supplemental Schedule 2A, is used to detail operating, maintenance, and overhead costs that could not be shown on Schedule 2A because of limited space.

Form MMS-4109, Schedule 2B, summarizes plant depreciation and undepreciated capital investment for a plant product for non-arm's-length or no contract situations.

Gas Processing Allowance Summary Report
Form MMS-4109

Line-by-Line Instructions

Page 1 of Form MMS-4109 is used to report the royalty processing allowance amount claimed for plant products during the reporting period. In accordance with 30 CFR 206.179, "the gas processing allowance shall not exceed 66-2/3 percent of the value of each gas plant product . . . less any applicable transportation allowances. . . ." The product processing allowance rate, determined using Schedule 1, must be computed prior to completing Page 1 of Form MMS-4109.

1. Enter the same payor name and address as used for reporting gas royalties and processing deductions on Form MMS-2014.

2. Enter the same payor code as reported on Form MMS-2014.

3. Reserved for payor comment.

4. Check the Amended Report box if this report is amending previously submitted data. A corrected report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in columns 12a, 12b, and 12c, as applicable, and the second line shows the correct entry.

5. Enter as the reporting period the period covered by the actual cost data for the processing allowance being reported in column 12. The reporting period will begin the first day of the calendar year or when the processing contract begins, is modified or amended rate and will end the last day of the calendar year or when the processing contract or rate terminates, is modified or amended whichever is earlier.

6. Enter the plant name. If extraction and fractionation takes place at separate facilities, enter the plant name of each facility.

7. Line count; i.e., the number of allowances being reported.

8. Enter the same Lease Number as reported on Form MMS-2014.

9. Enter the same Agreement Number (if applicable), as reported on Form MMS-2014.

10. Enter the same product code as reported on Form MMS-2014.

11. Enter the non-arm's-length indicator as "NARM" for the portion of the processing costs incurred under non-arm's-length conditions.

12. Column 12 is used for reporting the royalty allowance amount deducted for the reporting period, the allowance rate, and the royalty quantity processed during the reporting period.

    Enter in column 12a the total royalty quantity processed during the reporting period. Total royalty quantity is the sum of the monthly royalty quantities. Enter in column 12b the product processing allowance rate from Schedule 1. In column 12c enter the royalty allowance amount determined by multiplying column 12a by column 12b. Care should be taken to ensure that the allowance comply with allowance limitations set forth under 30 CFR 206.179.

13. Enter page totals on line 13.

14. If the number of allowances being reported exceeds the number of lines on the Form MMS-4109, use additional Page 1, Form MMS-4109s. If more than one Page 1, Form MMS-4109 is submitted, sum the amount on line 13 for each page and enter the total only once, on line 14 of the last page of the Form MMS-4109 submittal.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

Gas Product Allowance Computation Sheet
Form MMS-4109, Schedule 1

PAYOR NAME AND CODE _____ / _____

PLANT NAME & OPERATOR _____

ADDRESS _____

_____

CITY _____ STATE _____ ZIP _____

PRODUCT CODE: _____

PERIOD: (mm/dd/ccyy) _____ to _____

(a)	(b)	(c)	(d)
Lease Number	Agreement Number	Sales Quantity	Non-Arm's-Length Processing Costs ($)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

TOTALS _____   TOTALS _____

Enter as the non-arm's length Product Processing Allowance Rate the unit processing cost [total non-arm's length processing costs (column d) divided by total sales quantity (column c)] _____. The allowance rate is to be carried to 6 decimal places; i.e., 0.574635.

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)

☐ PROPRIETARY   ☐ NONPROPRIETARY

Gas Product Allowance Computation Sheet
Form MMS-4109, Schedule 1

Instructions

Schedule 1 is used to determine the processing allowance rate for a plant product based on actual cost.

Enter the same payor name, payor code, and payor address as used on Page 1 of Form MMS-4109.

Enter the plant name and operator. If extraction and fractionation takes place at separate facilities, enter the plant name and operator of each facility. Enter the product code for which the allowance rate will apply.

Enter the reporting period. The reporting period must be the same period shown in item 5 on Page 1 of Form MMS-4109.

Instructions for Computing the Processing Allowance Rate for a Plant Product

For each Lease Number and Agreement Number (if applicable), combination under which the plant product is reported:

a. Enter the same Lease Number as used on Form MMS-2014.

b. Enter the same Agreement Number (if applicable) as used on Form MMS-2014.

c. Enter the total sales quantity reported under this Lease Number/Agreement Number (if applicable) during the reporting period. The total sales quantity is determined by summing the monthly sales volumes reported on Form MMS-2014, column 15, during the reporting period.

d. If the costs or a portion of the costs for processing the plant products were incurred under non-arm's-length or no contract conditions, enter the total non-arm's-length processing costs determined by multiplying the sales quantity in column c by the processing allowance cost per unit from Schedule 2, line 5.

e. Sum the sales quantity (column c) and processing costs (column d) and enter under columns c and d on the total line of the last page of Schedule 1.

Compute the non-arm's-length processing allowance rate for the product on the last page of Schedule 1. The non-arm's-length processing allowance rate is the unit processing cost. The non-arm's-length unit processing cost is determined by dividing the total non-arm's-length processing costs (column d total) by the total sales quantity (column c total). (Note: This allowance rate should be carried to 6 decimal places; i.e., 0.574635.)

(Note: the total processing allowance deduction (arm's-length and non-arm's-length) claimed on the Form MMS-2014 based on an individual product may not exceed 66 2/3 percent of the value of each gas plant product determined under § 206.174. Before you calculate the 66 2/3 percent limit, you must first reduce the value for any transportation allowances related to post-processing transportation authorized under § 206.177.)

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

Non-Arm's-Length Processing Facilities Operating Expenses, Depreciation, and Return on Undepreciated Capital Investment
Form MMS-4109, Schedule 2

PAYOR NAME AND CODE _____ / _____   PLANT NAME & OPERATOR:_____

ADDRESS _____   _____

CITY_____ STATE_____ ZIP _____   _____

                                                          PRODUCT CODE: _____

                                                          PERIOD: (mm/dd/ccyy) _____ to _____

Lessee's Portion of Plant Expenses, Depreciation, and Return on Undepreciated Capital Investment

	(a) Plant Depreciation	(b) Undepreciated Capital Investment at Beginning-of-Year	(c) Rate of Return	(d) Return on Undepreciated Capital Investment	(e) Depreciation Plus Return on Capital Investment	
Extraction Facility	$_____	$_____	_____	$_____	$_____	1a
Fractionation Facility	$_____	$_____	_____	$_____	$_____	1b
Extraction Facility Operating, Maintenance, and Overhead Expenses (from Schedule 2A, Line 21)					$_____	2a
Fractionation Facility Operating, Maintenance, and Overhead Expenses (from Schedule 2A, Line 21)					$_____	2b
Total Lessee Operating and Maintenance Expenses (sum column e of line 1a, 1b, 2a, and 2b)					$_____	3
Total Product Quantity (including product quantities processed by lessee for third parties under arm's-length contracts)					_____	4
Product Processing Cost per unit carried to six decimal places (Line 3 divided by line 4).					$_____	5

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Non-Arm's-Length Processing Facilities Operating Expenses, Depreciation, and Return on Undepreciated Capital Investment Form MMS-4109, Schedule 2

Instructions

Schedule 2 is used to determine a processing allowance rate for a plant product based upon the lessee's portion of the actual plant operating, maintenance, and overhead expenditures incurred during the reporting period.

Enter the same payor name, payor code, and address as used on Page 1 of Form MMS-4109.

Enter the plant name and operator. If extraction and fractionation takes place at separate facilities, enter the plant name and operator of each facility.

Enter the reporting period. The period must be the same period shown in item 5 on Page 1 of Form MMS-4109.

Instructions for Computing the Processing Allowance Rate and Amount for a Plant Product Based upon the Lessee's Portion or Plant Operating Costs, Depreciation, and Return on Undepreciated Capital Investment.

The processing allowance rate must be computed using the total lessee quantities and third-party quantities of the product processed by the lessee during the reporting period.

(Note: Lines 1a and 2a are used for identifying the lessee's portion of non-arm's-length or no contract costs for extraction facilities owned by the lessee. Lines 1b and 2b are used for identifying the lessee's portion of non-arm's-length or no contract costs for fractionation facilities owned by the lessee.)

1. Depreciation and return on undepreciated capital investment for the product are determined using Schedule 2B. Schedule 2B must be completed prior to completing the following steps on Schedule 2.

    a. Enter on line 1a, column a (or line 1b, column a), the total depreciation costs for the reporting period from Schedule 2B, line 8, column 6. A separate Schedule 2B must be completed when the lessee is an interest owner in both the extraction facility and the fractionation facility.

    b. Enter on line 1a, column b (or line 1b, column b), the total undepreciated plant capital investment at beginning-of-year from Schedule 2B, line 8, column 5.

    c. The rate of return shall be the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of reporting period.

    d. Compute the return on undepreciated capital investment by multiplying undepreciated plant capital investment (column b, lines 1a and/or 1b) by the rate of return (column c, lines 1a and/or 1b). Enter under column d, lines 1a and/or 1b.

    e. Enter the sum of the plant depreciation (column a) and return on undepreciated capital investment (column d) under column e, lines 1a and 1b.

2. Determine plant operations, maintenance, and overhead costs for the facility using Schedule 2A. Enter the total plant operating, maintenance and overhead costs from Schedule 2A, line 21, on Schedule 2, line 2a or line 2b. A separate Schedule 2A must be completed when the lessee is an interest owner in both an extraction plant and a fractionation plant.

3. Enter the total plant expenses (the sum of column e for lines 1a, 1b, 2a, and 2b) on line 3.

Non-Arm's-Length Processing Facilities Operating Expenses, Depreciation, and Return on Undepreciated Capital Investment
Form MMS-4109, Schedule 2

Instructions

4. Enter the total product quantity produced by the lessee's portion of the plant (extraction plant in the case of sulfur, CO_2, or raw make, fractionation plant in the case of NGL products) during the reporting period, including the quantity of third-party products processed by the lessee, on line 4.

5. Enter the product processing cost per unit determined by dividing the total lessee expenses (line 3) by the total quantity of product produced (line 4) on line 5. The processing allowance rate should be carried to 6 decimal places; i.e., 0.546576.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs

Allowable capital costs are generally those expenditures for fixed assets (including delivery and installation costs) that are an integral part of the facility used in the processinq/extraction of gas products. most capital items are generally located within the confines of the plant, beginning at the inlet of the plant and ending at the tailgate of the plant. Transportation-facilities owned by the lessee and used to move raw make from an extraction plant to a fractionation plant shall be considered as an allowable plant expenditure.

Capital costs will vary considerably between plants, since no two systems are exactly alike even though they possess superficial similarities. The items listed below are examples of investment items that will normally be found in different types of plants and should generally be considered as allowable capital costs:

> Plant and office buildings, warehouses, shops, laboratory, sidewalks, fences, plant roads and rights-of-way for plant roads, fresh water wells and supply systems, heat and steam, power, fuel sewage and general plant facilities, all related controls, meters P(including plant inlet and residue sales meters). Also, pipe valves and fittings, and equipment items whose primary function is the recovery of plant products including natural gas liquids such as absorbers, heat exchangers, coolers, chillers, fractionating columns, liquid sweetening facilities, and compression facilities for refrigeration or recompression of gas required during processing.

Nonallowable Capital Costs

Nondepreciable property, such as land and pipeline rights-of-way, or the facilities utilized in bringing the raw gas from the field to the plant, and facilities utilized for delivering, storing, or otherwise disposing of the residue gas and liquids after extraction, will generally not be considered plant investments. Capital costs associated with placing lease production in marketable condition (e.g. compression, dehydration, and on-lease gathering), schools, hospitals, roads, sewer plants and other capital improvements or equipment not an integral part of the processing facilities are not considered as allowable capital costs. The cost associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the gas processing facility are allowable.

Non-Arm's-Length Processing Facilities Operating Expenses, Depreciation, and Return on Undepreciated Capital Investment
Form MMS-4109, Schedule 2

Instructions

Allowable Operation and Maintenance Costs

Operation and maintenance costs are those nondepreciable expenditures which include the costs of operating and maintaining the facilities and shall be limited to costs directly related to processing gas products or extracting natural gas liquid hydrocarbons.

Operation and maintenance expenditures may include the following items:

1. Salaries and wages paid to employees and supervisors while engaged in operating and maintaining the plant. Such wages must be directly connected to the processing or extraction phase of the plant.

2. Electrical or other energy expenditures.

3. Chemicals and lubricants used for the purpose of extraction, protection, or cleaning of plant facilities.

4. Repairs, contract labor, materials, and supplies directly connected to the processing or extraction process of the plant.

5. Insurance, ad valorem property taxes, and payroll taxes (Federal and State income taxes are not allowable deductions).

6. Rental or leasing expenditures of the plant site.

7, General and administrative overhead costs (telephone service, office supplies, salary apportionment, etc.), Overhead costs shall be limited to those costs which are directly allocable or attributable to the operation and maintenance of the plant.

Operation and maintenance expenditures will be limited to those items that, in the judgment of MMS, are an integral part of the extraction or fractionation process.

Nonallowable Operating Costs

1. Federal and State income taxes, production taxes or fees such as State severance taxes, and royalty payments.

2. Any costs associated with nonallowable capital improvement or equipment.

3. Any costs associated with placing the gas in marketable condition which the lessee is obligated to perform at no cost to the lessor (e.g. gathering, dehydration, compression, or storage costs incurred on the lease or a unit).

Capital costs and operations and maintenance expenditures may be verified by requesting copies of invoices.

Non-Arm's-Length Processing Facilities Operations, Maintenance, and Overhead Expenditures Form MMS-4109, Schedule 2A

PAYOR IDENTIFICATION BLOCK
Payor Name and Code:
Plant Name & Operator:
Product:
Period: (mm/dd/ccyy)   to

A.   Lessee's Operating Costs

Operations Supervision and Engineering $ _____ [1]

Operations Labor   _____ [2]

Utilities   _____ [3]

Materials   _____ [4]

Ad Valorem Property Taxes   _____ [5]

Rent   _____ [6]

Supplies   _____ [7]

Other (specify). Attach Supplemental Schedule 2A   _____ [8]

as necessary   _____ [9]

Total Operating Costs -- Subtotal $ _____ [10]

B.   Lessee's Maintenance Costs

Maintenance Supervision $ _____ [11]

Maintenance Labor   _____ [12]

Materials   _____ [13]

Other (specify). Attach Supplemental Schedule 2A   _____ [14]

as necessary   _____ [15]

Total Maintenance Costs -- Subtotal $ _____ [16]

C.   Lessee's Overhead Allocation (specify)

_____ $ _____ [17]

_____   _____ [18]

Other (specify) use Supplemental Schedule 2A   _____ [19]

Total Overhead Allocation $ _____ [20]

D.   Total Operating and Maintenance Costs $ _____ [21]
     (Line 10 + line 16 + line 20)

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Non-Arm's-Length Processing
Facilities Operations, Maintenance, and Overhead Expenditures
Form MMS-4109, Schedule 2A

Instructions

Schedule 2A is used to record the lessee's portion of the reasonable actual plant operating, maintenance, and overhead costs for processing the product during the reporting period. A list of allowable and nonallowable costs is provided herein and should be used as a guide.

Complete the payor information block as follows.

Enter the same payor name and code as reported on Form MMS-4109, Page 1.

Enter the same plant name and operator.

Enter the product; e.g., NGLs, sulfur, CO_2, etc.

Enter the reporting period. The period must be the same period shown in item 5 on Page 1 of Form MMS-4109.

Instructions for Computing Operating, Maintenance, and Overhead Costs.

Identify and list on Part A and Part B, the lessee's portion of all operating and maintenance costs directly attributable to the plant product during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 2A noting the nature and amount of the cost.

Line 10 - Enter total operating costs (the sum of lines 1-9).

Line 16 - Enter total maintenance costs (the sum of lines 11-15).

Part C - Identify and list the lessee's portion of all overhead costs directly allocable and attributable to the processing of the plant product. If additional space is needed, complete and attach a Supplemental Schedule 2A noting the nature and amount of the expenditure.

Line 20 - Sum lines 17 through 19 to obtain the total overhead expenditures directly allocable and attributable to the plant.

Line 21 - Sum lines 10, 16, and 20 to obtain total plant operating costs. Enter on Schedule 2A line 21. If the costs are associated with a fractionation facility owned by the lessee, enter the total operating costs on Schedule 2, line 2b.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

Non-Arm's-Length Processing
Facilities Operations, Maintenance, and Overhead Expenditures
Form MMS-4109, Supplemental Schedule 2A

PAYOR IDENTIFICATION BLOCK
Payor Name and Code:
Plant Name & Operator:
Product:
Period: (mm/dd/ccyy)   to

Type of Expenditure - Describe

\$ _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

Total   \$ _____

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Non-Arm's-Length Processing
Facilities Operations, Maintenance, and Overhead Expenditures
Form MMS-4109, Supplemental Schedule 2A

Instructions

Supplemental Schedule 2A is used to identify and document the lessee's portion of all operating, maintenance, and overhead expenditures as listed under "Other" expenditure categories on Schedule 2A.

Complete the payor information block (see Schedule 2A instructions)

A separate Supplemental Schedule 2A must be prepared for other operations, costs, other maintenance costs, and other overhead costs associated with the plant but not listed on Schedule 2A.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 2A, lines 9, 15, or 19 accordingly.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

Non-Arm's-Length Processing
Facilities Depreciation and Capital Expenditure Summary
Form MMS-4109, Schedule 2B

PAYOR IDENTIFICATION BLOCK
Payor Name and Code:
Plant Name & Operator:
Product Code:
Period: (mm/dd/ccyy)   to

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Expenditure Item	Initial Capital Investment and Date Placed in Service	Salvage Value	Depreciable Life/Years of Depreciation Taken to Date	Undepreciated Capital Investment at Beginning of Year	Depreciation	Undepreciated Capital Investment at End of Year
	$	$		$	$	$

[8]   Totals $_____ $_____
Totals

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Page 1 of 1

FORM MMS-4109, SCHEDULE 2B (revised 09/2004)

Non-Arm's-Length Processing
Facilities Depreciation and Capital Expenditure Summary
Form MMS-4109, Schedule 2B

Instructions

Schedule 2B is used to summarize the lessee's portion of the actual plant depreciation and undepreciated capital investment associated with the processing of the plant product for computing return on investment.

Complete the payor information block (see Schedule 1 instructions).

For each capital expenditure item complete one line as follows:

I.   Identify the capital expenditure item.

2.   Enter the lessee's portion of the initial capital expenditure amount and the date the expenditure was placed in service.

3.   Enter a reasonable salvage value.

4.   Enter the depreciable life of the expenditure item and the number of years of depreciation taken to date.

5.   Enter the lessee's portion of the beginning-of-year undepreciated capital investment. In computing this amount, salvage must be deducted from the initial capital investment.

6.   Enter the amount of depreciation to be taken for the year. In computing depreciation, the payor may elect to use either a straight-line depreciation method or a unit of production method based on the life of equipment or the life of the reserves which the plant services. Once an election is made, the payor may not alternate methods without MMS approval. Equipment shall not be depreciated below a reasonable salvage value).

7.   Enter the end-of-year undepreciated capital investment. This is computed by subtracting depreciation from the beginning-of-year undepreciated capital investment. This amount will be used as the next year's beginning-of-year undepreciated capital investment.

8.   Total columns 5 and 6 and enter on Schedule 2, columns a and b, line 1a. If the costs are associated with a fractionation facility owned by the lessee, enter the total costs on Schedule 2, columns a and b, line 1b.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.